United Nations A/60/599

General Assembly

Distr.: General
20 December 2005

Original: English

Sixtieth session
Agenda item 124
Proposed programme budget for the biennium 2006-2007

Revised estimates: effect of changes in rates of exchange and inflation

Report of the Secretary-General*

Summary

In accordance with established practice, the proposed programme budget is recosted prior to its adoption by the General Assembly. A preliminary recosting is reflected in the budget proposals of the Secretary-General (A/60/6 (Introduction, sects. 1-35, Income sects. 1-3) and A/60/6(Sect.13)/Add.1).

The present report provides the latest data on actual inflation experience, the outcome of salary surveys, the movement of post adjustment indices in 2005, the effect of the evolution of operational rates of exchange in 2005 and the adjustment in staff assessment rates on the proposed programme budget for the biennium 2006-2007 and the revised estimates to the proposed programme budget for the 2005 World Summit Outcome.

After recosting, the resources under the expenditure sections as proposed by the Secretary-General and as would be modified if the recommendations of the Advisory Committee on Administrative and Budgetary Questions were to be applied, would amount to $3,795.8 million. The recosted estimates of income for the biennium 2006-2007 amount to $427.4 million.

* The present report is being issued at the present time to best reflect data availability.

05-65317 (E) 201205

1. In accordance with established practice, the proposed programme budget is normally presented at the same price levels and rates of exchange as the current programme budget. In view of the recent favourable performance of some currencies against the United States dollar and bearing in mind the views of the Advisory Committee on Administrative and Budgetary Questions, as indicated in paragraph 5 of its seventh report on the proposed programme budget for the biennium 1996-1997,[1] that the Administration should use such operational rates of exchange in recosting exercises as would allow for the lowest estimates, the present report provides updated information as at December 2005.

2. At the same time, the proposed programme budget contains provisions for anticipated increases owing to inflation and adjustments that are to changes in the rates of exchange. These are isolated and presented separately in the column entitled "recosting" in the proposed programme budget. The programme budget is subsequently recosted three times in the biennial cycle, as follows:

(a) The first such recosting is contained in the present report, which is submitted to the General Assembly for the purpose of updating the resource requirements in the proposed programme budget before an initial appropriation is approved;

(b) The second will be reflected in the revised estimates included in the first performance report on the programme budget, submitted by the Secretary-General at the end of the first year of the biennium in connection with approval of a revised appropriation;

(c) The third will be included in the second performance report, submitted at the end of the second year of the biennium, in connection with approval of the final appropriation.

3. As foreseen in the introduction to the proposed programme budget for the biennium 2006-2007 (A/60/6 (Introduction), para. 10), the proposed programme budget is recosted to take into account changes in operational rates of exchange, actual inflation experience, the outcome of salary surveys and the movement of post adjustment indices. The recosting in the present report is based on the initial budget proposals of the Secretary-General and the revised estimates to the proposed programme budget for the 2005 World Summit Outcome, amended in accordance with the recommendations of the Advisory Committee on Administrative and Budgetary Questions, using the data available as at December 2005. Accordingly, the starting point for the recosting in the present document takes into account the following:

	(United States dollars)
Proposed programme budget for the biennium 2006-2007 (Introduction, Sects. 1-35, Income sects. 1-3)	3 803 788
Proposed programme budget for the International Trade Centre, the United Nations Conference on Trade and Development/the World Trade Organization (A/60/6/Sect.13/Add.1)	730
Revised estimates to the proposed programme budget for the 2005 World Summit Outcome (A/60/537)	73 368
Total	3 877 887

4. As regards the related recommendations of the Advisory Committee, the following adjustments have been taken into account:

(United States dollars)

Recommendations of the Advisory Committee on Administrative and Budgetary Questions on section 29, Internal oversight, of the proposed programme budget (A/60/7/Add.14, para. 2)*	(397 900)
Recommendations of the Advisory Committee on Administrative and Budgetary Questions on the revised estimates to the proposed programme budget for the 2005 World Summit Outcome (A/60/7/Add.13)	(23 367 800)
Recommendations of the Advisory Committee on Administrative and Budgetary Questions on the revised estimates to the proposed programme budget for the 2005 World Summit Outcome (A/60/7/Add.14, para. 5)	(3 766 000)
Total	**(29 307 200)**

* Recommendations would result in reductions of $338,900 under section 29, Internal oversight and $59,000 under section 35, Staff assessment.

5. While the General Assembly has yet to take action on the recommendations of the Advisory Committee reflected above, the recommendations have been taken into account to the extent that they can be specifically costed. This allows Member States to have a more comprehensive picture of the overall level of estimates in determining the appropriation for the biennium 2006-2007. Nevertheless, the indicative inclusion of the effect of applying the recommendations of the Advisory Committee is provided without prejudice to decisions yet to be made on those recommendations.

6. Table 1 provides a summary of the results of the recosting based on the parameters described in the following paragraphs. Recosting of other revised estimates and programme budget implications will be dealt with, as applicable, in the context of the consolidated statement of charges to the contingency fund.

Table 1

Summary of recosting of the proposed programme budget for the biennium 2006-2007

(Thousands of United States dollars)

Proposed programme budget and revised estimates (see para. 3 above) (1)	*Adjustments recommended by Advisory Committee (see para. 4 above)* (2)	*Proposed programme budget plus Advisory Committee adjustments* (3)=(1+2)	*Recosting*				
			Exchange rate (4)	*Inflation* (5)	*Adjustment of staff assessment*[a] (5)	*Total* (7)=(4+5+6)	*Estimated appropriation* (8)=(3+7)
3 877 887.8	(29 307.2)	3 848 580.6	(33 860.4)	24 074.6	(43 011.8)	(52 797.6)	3 795 783.0

[a] Reflects the consolidation of multiplier points effective 1 January 2006 and the reduction in staff assessment rates as set out in paragraphs 191 and 193 of the report of the International Civil Service Commission (A/60/30).

7. The proposed revised recosting factors to be applied for the first recosting in the biennial cycle, compared with the assumptions applied in the preliminary recosting included in the proposed programme budget for the biennium 2006-2007, are set out in the following schedules:

Schedule I. Rates of exchange relative to the United States dollar and annual rates of inflation by main duty station included in the proposed programme budget and in the present report;

Schedule II. Post adjustment multipliers by main duty station;

Schedule III. Annual cost-of-living adjustments by main duty station (General Service);

Schedule IV. Effects of recosting by budget section and main determining factor.

8. As a result of the application of the revised parameters, requirements for the biennium 2006-2007 reflect an overall reduction of $52.8 million. The decrease is comprised of the required adjustments related to the proposed programme budget ($50.9 million) and to the revised estimates for the 2005 World Summit Outcome ($1.9 million).

9. The estimated decreased requirement of $33.9 million in respect of exchange rate fluctuations reflects the recent strengthening of the United States dollar after a period of weakening against a number of currencies. In the present recosting, the latest United Nations operational rates of exchange (those in effect as at December 2005) have been used as the basis for recosting for all duty stations, with the exception of Santiago, Beirut, Nairobi, Mexico City and Port-of-Spain, for which using the average actual rates from January to December 2005 yields the lowest estimates. Accordingly, the averaging method has been used for these five duty stations in the current recosting. The net reduced requirements of $33.9 million relate to exchange rate fluctuations in respect to the Swiss franc in Geneva ($31.4 million), the euro in Vienna and The Hague ($9.3 million), other duty stations ($4.5 million), partially offset by additional requirements in respect of Santiago ($6.5 million), Nairobi ($4.4 million) and Bangkok ($0.4 million).

10. With respect to inflation, consideration is given, as necessary, to a series of factors, including analysis of the movement of the consumer price index at the different duty stations for goods and services and probable increases in the salaries of General Service staff as a result of the movement of consumer price indices and the outcome of comprehensive salary surveys. In the case of the salaries of Professional staff, while base salaries are not affected by exchange rates, as they are denominated in United States dollars, the post adjustment component moves in response to changes in both cost of living and exchange rates. Accordingly, the changes resulting from inflation comprise three elements, namely, post adjustment movements for Professional staff, salary adjustments for General Service staff and adjustments to non-post estimates. With regard to Professional staff costs, necessary adjustments are triggered by movements in post adjustment multipliers approved by the International Civil Service Commission (ICSC). As for General Service salary and non-post requirements, changes are attributable to cost-of-living adjustments and movements in rates of inflation, respectively, relative to those originally estimated. It should be noted in this regard that realized levels of inflation in 2005

directly affect price and salary levels for the forthcoming biennium, so higher than anticipated 2005 increases add to the requirements for the biennium 2006-2007.

11. The estimated additional requirements of $24.1 million for inflation reflect requirements arising in respect of General Service salaries ($16.9 million), staff assessment ($4.8 million) and non-post objects of expenditure ($16.7 million), partially offset by reduced requirements in respect of Professional salaries ($14.3 million). The decrease related to Professional salaries reflects revised multiplier projections by ICSC on the basis of the latest exchange rates. Additional requirements for General Service salaries result mainly from cost of living adjustments for Addis Ababa and Bangkok, as well as an increase of 3.75 per cent in New York. Requirements for non-post objects of inflation are the net result of a number of adjustments to rates, including revisions for Addis Ababa ($2.1 million) and for New York ($7.9 million).

12. The recosting reflected in the present document also takes into account the decision of ICSC contained in paragraph 193 of its report (A/60/30). In that paragraph, ICSC decided to recommend that the current base/floor salary scale and associated staff assessment scale for Professional and higher categories be revised to take into account an increase in the salary scale by 2.49 per cent through the standard consolidation procedures, on a no-loss/no-gain basis, as well as a 20 per cent reduction in the staff assessment scale. As a result, a net downwards adjustment of $43 million is reflected in staff assessment provisions under section 35, Staff assessment.

13. Schedule IV contains a detailed listing, by budget section and main determining factor, of the revised estimates for the biennium 2006-2007 resulting from the recosting of the resource requirements of the expenditure sections in the proposed programme budget, including the adjustments related to the recommendations of the Advisory Committee, using the parameters contained in the present report.

14. The foregoing budget parameters are also proposed to be applied to the income sections. The revised estimates for the income sections are summarized in table 2.

Table 2
Revised estimates for income sections 1 to 3 of the proposed programme budget for the biennium 2006-2007

(Thousands of United States dollars)

Income section	*Proposed programme budget and revised estimates (see para. 3) (1)*	*Adjustments recommended by Advisory Committee (see para. 4) (2)*	*Proposed programme budget plus Advisory Committee adjustments (3)=(1+2)*	*Increase/ (decrease)*	*Revised estimates*
IS1. Income from staff assessment	444 112.2	(1 780.3)	442 331.9	(40 597.1)	401 734.8
IS2. General income	21 074.3	—	21 074.3	(207.3)	20 867.0
IS3. Services to the public	5 445.2	—	5 445.2	(691.8)	4 753.4
Total	**470 631.7**	**(1 780.3)**	**468 851.4**	**(41 496.2)**	**427 355.2**

Notes

[1] *Official Records of the General Assembly, Fifty-first Session, Supplement No. 7* (A/51/7/Add.1-9), document A/51/7/Add.6.

Schedule I

Rates of exchange relative to the United States dollar and annual rates of inflation by main duty station included in the proposed programme budget and in the present report

Duty station (currency)	*Rates of exchange 2006-2007*		*Rates of inflation applicable to non-post objects of expenditure*					
			Proposed programme budget		*Present report*			
	Proposed programme budget	*Present report*[a]	*2005*[b]	*2006-2007*[c]	*2004*[d]	*2005*[d]	*2006*[c]	*2007*[c]
Vienna (euro)	0.813	0.850	1.7	1.7	2.1	2.3	2.2	1.8
Santiago (Chilean peso)	610.583	560.250	3.0	3.0	1.1	3.1	3.7	2.8
Addis Ababa (Ethiopian birr)	8.650	8.680	3.5	3.5	7.0	6.0	5.0	5.5
United Nations Military Observer Group in India and Pakistan (rupee)	45.200	45.840	5.7	5.7	3.8	4.4	5.2	3.5
Beirut (Lebanese pound)	1 503.583	1 500.833	2.0	2.0	2.0	2.4	3.0	3.0
Gaza United Nations Relief and Works Agency for Palestine Refugees in the Near East/United Nations Truce Supervision Organization (shekel)	4.467	4.690	2.1	2.1	(0.4)	1.3	2.2	1.9
Nairobi (Kenya shilling)	81.170	76.141	6.5	6.5	9.0	12.0	7.0	5.5
Mexico City (Mexican peso)	11.520	10.927	4.1	4.1	4.7	4.1	3.7	3.6
The Hague (euro)	0.813	0.850	1.5	1.5	1.2	1.6	1.5	1.5
Bangkok (baht)	41.250	41.050	2.5	2.5	2.8	4.5	4.5	3.1
Port-of-Spain (Trinidad and Tobago dollar)	6.120	6.132	5.0	5.0	5.0	4.0	4.0	4.0
New York (United States dollar)	1.000	1.000	2.5	2.5	2.7	3.2	3.5	2.8
Geneva (Swiss franc)	1.255	1.310	1.1	1.1	0.8	1.2	1.4	1.2
United Nations information centres[e]	1.000	1.000	2.5	2.5	2.7	3.2	3.5	2.8

[a] Based on December 2005 rate of exchange. The 2005 average actual rates were used for Santiago, Beirut, Nairobi, Mexico City and Port-of-Spain.

[b] Revised 2004-2005 appropriations.

[c] Projected.

[d] Final 2004-2005 estimates.

[e] Combined effect of inflation and exchange rate changes.

Schedule II

Post adjustment multipliers by main duty station

	Programme budget			*Present report*			
Duty station	*2005*[a]	*2006*	*2007*	*2004*[b]	*2005*[a]	*2006*	*2007*
Vienna	50.70	56.80	58.03	46.68	47.60	39.57	42.13
Santiago	29.60	35.50	38.15	28.41	33.40	33.40	34.88
Addis Ababa	37.70	38.50	40.50	31.80	40.28	39.30	40.97
United Nations Military Observer Group in India and Pakistan	27.90	32.22	36.42	24.70	28.52	25.92	27.88
Beirut	46.80	46.67	48.93	41.42	44.60	41.20	42.65
Gaza United Nations Truce Supervision Organization/United Nations Relief and Works Agency for Palestine Refugees in the Near East	35.90	37.97	40.18	34.83	35.37	28.98	29.60
Nairobi	27.50	30.42	34.98	23.41	30.25	26.80	27.78
Mexico City	37.10	40.20	43.82	30.88	37.56	35.03	36.95
The Hague	49.30	55.30	55.30	45.44	46.34	36.75	38.08
Bangkok	23.40	26.38	28.68	21.82	24.83	24.22	28.23
Port-of-Spain	35.50	37.50	41.60	30.88	34.83	34.70	37.00
New York	61.90	62.93	65.80	56.17	59.70	60.67	63.53
Security field offices	14.80	15.50	18.40	14.40	14.80	36.20	37.20
Geneva	69.00	75.30	75.80	61.09	64.38	55.14	55.70
United Nations information centres	14.80	15.50	18.40	14.40	14.80	42.10	43.30

[a] Revised 2004-2005 appropriations.

[b] Final 2004-2005 estimates.

Schedule III

Annual cost-of-living adjustments by main duty station (General Service)

(Percentage)

	Proposed programme budget		*Present report*		
Duty station	*2005*[a]	*2006-2007*[b]	*2005*[c]	*2006*[b]	*2007*[b]
Vienna	1.7	1.7	2.2	2.2	1.8
Santiago	3.0	3.0	2.1	3.7	2.8
Addis Ababa	3.5	3.5	5.8	5.0	5.5
United Nations Military Observer Group in India and Pakistan	5.7	5.7	9.1	5.2	3.5
Beirut	2.0	2.0	5.2	3.0	3.0
Gaza/United Nations Relief and Works Agency for Palestine Refugees in the Near East/United Nations Truce Supervision Organization	2.1	2.1	1.5	2.2	1.9
Nairobi	6.5	6.5	10.7	7.0	5.5
Mexico City	4.1	4.1	4.3	3.7	3.6
The Hague	1.5	1.5	1.7	1.5	1.5
Bangkok	2.5	2.5	11.6	4.5	3.1
Port-of-Spain	5.0	5.0	3.3	4.0	4.0
New York	2.5	2.5	3.6	3.5	2.8
Security field offices	2.5	2.5	3.6	3.5	2.8
Geneva	1.1	1.1	1.6	1.4	1.2
United Nations information centres	2.5	2.5	3.6	3.5	2.8

[a] Revised 2004-2005 appropriations.

[b] Projected.

[c] Actual figures.

Schedule IV

Effects of recosting by budget section and main determining factor

(Thousands of United States dollars)

Expenditure section	Proposed programme budget and revised estimates (see para. 3) (1)	Adjustments recommended by Advisory Committee (see para. 4) (2)	Proposed programme budget plus Advisory Committee adjustments (3)=(1+2)	Recosting				Estimated appropriation (8)=(3+7)
				Exchange rate (4)	Inflation (5)	Adjustment of staff assessment[a] (6)	Total (7)=(4+5+6)	
1. Overall policymaking, direction and coordination	70 787.2	(2 660.7)	68 126.5	(249.1)	855.8	—	606.7	68 733.2
2. General Assembly and Economic and Social Council affairs and conference management	597 241.4	(7 111.5)	590 129.9	(10 340.0)	663.7	—	(9 876.3)	580 253.6
3. Political affairs	437 012.3	(5 209.2)	431 803.1	(572.9)	982.6	—	409.7	432 212.8
4. Disarmament	19 868.4	(28.3)	19 840.1	(116.9)	380.3	—	263.4	20 103.5
5. Peacekeeping operations	97 300.2	—	97 300.2	(2 300.9)	(197.1)	—	(2 498.0)	94 802.2
6. Peaceful uses of outer space	6 313.5	—	6 313.5	(242.6)	(156.0)	—	(398.6)	5 914.9
7. International Court of Justice	36 962.3	(16.1)	36 946.2	(1 186.4)	(412.3)	—	(1 598.7)	35 347.5
8. Legal affairs	43 872.0	—	43 872.0	(250.1)	514.3	—	264.2	44 136.2
9. Economic and social affairs	154 145.3	(185.3)	153 960.0	—	2 635.5	—	2 635.5	156 595.5
10. Least developed countries, landlocked developing countries and small island developing States	4 998.4	—	4 998.4	—	72.3	—	72.3	5 070.7
11. United Nations support for the New Partnership for Africa's Development	10 517.6	130.0	10 647.6	(4.1)	204.2	—	200.1	10 847.7
12. Trade and development	120 378.7	(486.0)	119 892.7	(4 587.3)	(3 958.9)	—	(8 546.2)	111 346.5
13. International Trade Centre UNCTAD/WTO	26 732.0	—	26 732.0	(816.2)	—	—	(816.2)	25 915.8
14. Environment	12 113.0	—	12 113.0	885.2	(565.8)	—	(120.6)	11 992.4
15. Human settlements	17 966.5	(146.0)	17 820.5	959.6	(879.2)	—	80.4	17 900.9
16. International drug control, crime prevention and criminal justice	34 065.3	(355.1)	33 710.2	(1 284.5)	(738.6)	—	(2 023.1)	31 687.1
17. Economic and social development in Africa	102 358.2	—	102 358.2	(283.1)	4 446.1	—	4 162.0	106 520.2
18. Economic and social development in Asia and the Pacific	69 233.6	(88.4)	69 145.2	306.3	2 630.2	—	2 936.5	72 081.7
19. Economic development in Europe	58 586.3	—	58 586.3	(2 270.0)	(2 081.3)	—	(4 351.3)	54 235.0
20. Economic and social development in Latin America and the Caribbean	92 717.4	—	92 717.4	5 954.3	(3 661.9)	—	2 292.4	95 009.8
21. Economic and social development in Western Asia	53 651.0	—	53 651.0	41.2	(128.3)	—	(87.1)	53 563.9

Expenditure section	Proposed programme budget and revised estimates (see para. 3) (1)	Adjustments recommended by Advisory Committee (see para. 4) (2)	Proposed programme budget plus Advisory Committee adjustments (3)=(1)+(2)	Revisions: Exchange rate (4)	Inflation (5)	Adjustment of staff assessment* (6)	Total (7)=(4)+(5)+(6)	Estimated appropriation (8)=(3)+(7)
22. Regular programme of technical cooperation	44 860.0		44 860.0	(263.2)	1 025.2	—	762.0	45 622.0
23. Human rights	91 716.9	(2 838.7)	88 878.2	(2 842.0)	(2 432.9)	—	(5 274.9)	83 603.3
24. Protection of and assistance to refugees	67 305.2	—	67 305.2	(2 761.1)	101.1	—	(2 660.0)	64 645.2
25. Palestine refugees	38 973.7	—	38 973.7	(1 631.8)	(156.9)	—	(1 788.7)	35 185.0
26. Humanitarian assistance	26 622.3	—	26 622.3	(332.3)	(91.3)	—	(423.6)	26 198.7
27. Public information	172 739.5	—	172 739.5	(383.7)	5 402.3	—	5 018.6	177 758.1
28A. Office of the Under-Secretary-General for Management	17 675.9	(1 398.9)	16 277.0	—	307.8	—	307.8	16 584.8
28B. Office of Programme Planning, Budget and Accounts	31 076.7	—	31 076.7	—	628.0	—	628.0	31 704.7
28C. Office of Human Resources Management	63 239.3	(569.4)	62 669.9	—	1 318.6	—	1 318.6	63 988.5
28D. Office of Central Support Services	247 263.1	(1 984.6)	245 278.5	—	5 110.6	—	5 110.6	250 389.1
28E. Administration, Geneva	106 199.6	(456.7)	105 742.9	(4 042.7)	(736.2)	—	(4 778.9)	100 964.0
28F. Administration, Vienna	35 084.6	(57.7)	35 026.9	(1 444.4)	172.7	—	(1 271.7)	33 755.2
28G. Administration, Nairobi	18 393.9	—	18 393.9	1 035.3	(442.9)	—	592.4	18 986.3
29. Internal oversight	35 768.4	(4 064.3)	31 704.1	(267.7)	78.8	—	(188.9)	31 515.2
30. Jointly financed administrative activities	11 392.2	—	11 392.2	(36.3)	(177.1)	—	(213.4)	11 178.8
31. Special expenses	95 553.8	—	95 553.8	(565.4)	237.3	—	(328.1)	95 225.7
32. Construction, alteration, improvement and major maintenance	72 194.8	—	72 194.8	(670.5)	1 397.3	—	726.8	72 921.6
33. Safety and security	184 239.6	—	184 239.6	(372.9)	6 884.3	—	6 511.4	190 751.0
34. Development Account	13 065.0	—	13 065.0	—	—	—	—	13 065.0
35. Staff assessment	439 702.7	(1 780.3)	437 922.4	(2 333.2)	4 842.9	(43 011.8)	(40 502.1)	397 420.3
Total	**3 877 887.8**	**(29 307.2)**	**3 848 580.6**	**(33 860.4)**	**24 074.6**	**(43 011.8)**	**(52 797.6)**	**3 795 783.0**

* *Reflects the consolidation of multiplier points effective 1 January 2006 and the reduction in staff assessment rates as set out in paragraphs 191 and 193 of the report of the International Civil Service Commission (A/60/30).*